# County of Los Angeles
# CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer



July 3, 2014

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

**SACRAMENTO UPDATE**

**Executive Summary**

This memorandum contains reports on the following:

- **Legislative Summer Recess.** A report on the Assembly and Senate's Summer Recess schedule.

- **Pursuit of County Position to Support AB 1450 (Garcia).** This measure would require that, beginning in FY 2014-15, any revenue generated and collected from a voter-approved property tax rate to support pension programs must be allocated to the city, county, or city and county whose voters approved the tax. Therefore, unless otherwise directed by the Board, consistent with: 1) existing Board-approved policy to support legislation that enhances the administration of property taxes by using more efficient methods of administration and that clarifies, streamlines, and outlines clear property tax policy for local governments; and 2) the Board's action of May 20, 2014, directing the Sacramento advocates to support Administrative and/or legislative proposals to direct that the tax increment generated by pension taxes levied, in addition to the general property tax rate, be retained by the city that levied the pension tax, **the Sacramento advocates will support AB 1450**.

- **Status of County-Sponsored Legislation**

  - **County-sponsored SB 955 (Mitchell)** – related to wiretaps in human trafficking case, was placed in the Assembly Appropriations Suspense File on July 2, 2014.

- County-sponsored SB 1136 (Huff and Mitchell) – related to county child welfare agencies access to criminal records for foster care providers, passed the Assembly Appropriations Committee on July 2, 2014.

- **Status of Legislation of County Interest**

  - **AB 2389 (Fox)** – related to the temporary modification of the State's capital investment incentive programs and tax credits for qualified tax payers, passed the Senate Floor and the Assembly Floor on July 3, 2014 and now proceeds to the Governor.

---

**Legislative Summer Recess**

On July 3, 2014, the Assembly and Senate adjourned for its Summer Recess and will reconvene on August 4, 2014 to take action on remaining legislation leading up to the conclusion of the 2013-14 Legislative Session. The Legislature is expected to consider a water bond measure for placement on the November 4, 2014 General Election ballot when they reconvene in August.

**Pursuit of County Position on Legislation**

**AB 1450 (Garcia),** which as amended on July 1, 2014, would require that beginning in FY 2014-15, any revenue generated and collected from a voter-approved property tax rate to support pension programs must be allocated to the city, county, or city and county whose voters approved the tax. Specifically, AB 1450 would require that:

- if a redevelopment agency (RDA) pledged revenues generated from a voter-approved pension tax to pay a portion of the enforceable obligations or debt of the former RDA on an approved Recognized Obligation Payment Schedule (ROPS), then the successor agency shall continue to pledge these pension tax revenues in an equal/similar amount to pay the remaining enforceable obligations until the debt is paid in its entirety;

- pension tax revenues to be allocated to the local government agency whose voters approved the tax, unless the affected agency receives and approves a written request with each ROPS cycle from a successor agency requesting use of a portion of these revenues to pay any enforceable obligations on an approved ROPS;

- any pension tax revenues approved for allocation to a successor to pay any enforceable obligations must only be allocated to the requesting successor agency: 1) after all other moneys in the successor agency's ROPS have been exhausted; 2) in the amount necessary to pay the enforceable obligation for an applicable ROPS cycle; and 3) until such time that the enforceable obligation has been completely paid off; and

- any excess pension tax revenue pledged to pay any enforceable obligation shall be allocated or paid back to the city, county, or city and county whose voters approved the pension tax.

In addition to the above requirements, AB 1450 clarifies that all pension tax revenue allocations made by county auditor-controllers prior to July 1, 2014, are correct and shall not be affected by this measure. Further, under the provisions of AB 1450, a city, county, or city and county, county auditor-controller, successor agency, and/or affected taxing entity shall not be subject to any claim for any money, damages, or reallocated revenues based on how pension tax revenues were allocated prior to July 1, 2014.

Community Redevelopment Law, until 2011, allowed local governments to: establish redevelopment agencies (RDAs); prepare and adopt redevelopment plans; and finance redevelopment activities/projects. As the assessed valuation of a redevelopment project area increased above its base-year valuation, the net increase in property tax revenues - known as property tax increment - was allocated to the RDA, rather than the underlying local government (i.e. city or county). Subsequently, ABX1 26 (Chapter 5, Statutes of 2011) dissolved RDAs and established successor agencies to manage the process of unwinding the affairs of former RDAs, with one of the primary responsibilities of successor agencies to make payments on the enforceable obligations (i.e. bonds, bond-related payments, loans, judgments/settlements, etc.) of former RDAs. Successor agencies must, every six months, draft a list of enforceable obligations, otherwise known as the Recognized Obligation Payment Schedule (ROPS), to be paid during the subsequent six-month period. The obligations listed on the ROPS are to be paid from the Redevelopment Property Tax Trust Fund (RPTTF), which contains the revenues that would have been allocated as tax increment to a former RDA.

Consistent with existing law, most county auditor-controllers, including the County's Auditor-Controller, deposit property tax increment revenues, which include pension levy revenues generated in former RDA project areas into the RPTTF as tax increment. All funds in the RPTTF, including these comingled pension-related tax increment revenues, are then distributed by auditor-controllers for statutory and contractual pass-through payments to appropriate taxing entities, enforceable obligations of the former RDA, and permissible administrative costs of the successor agencies. After meeting outstanding obligations, residual funds are distributed to appropriate taxing agencies within the former RDA, including the county, city, school districts, and special districts. According to the Auditor-Controller, it is estimated that the County received, as an affected taxing entity, approximately $1.6 million during the previous 12-month period in pension-related tax increment levied within the County.

In Los Angeles County, the following 12 cities have voter-approved property tax rates that support pension programs:

1. Bell
2. Compton
3. El Monte
4. Huntington Park
5. Inglewood
6. Lynwood
7. Maywood
8. Monrovia
9. Montebello
10. Monterey Park
11. San Fernando
12. San Gabriel

Enactment of administrative or legislative proposals directing that future tax increment generated by pension tax levies be retained by the city that levied the pension tax will ensure that these funds are used for the original voter-approved intended purpose. Consequently, approval of remedies to ensure that voter-approved pension levies are directed to the appropriate cities will result in tax increment revenue reductions to the affected taxing entities, including the County and special districts, because the total amount of tax increment deposited into the RPTTF will be reduced since those revenues will be directly allocated to the cities that assessed those levies.

AB 1450 is identical to **County-supported SB 663 (Lara)**. As reported on June 25, 2014, this office, the Sacramento advocates, the Auditor-Controller, and County Counsel worked with Senator Lara and his staff to address this matter through the State Budget process; however, it was later determined that this issue would need to be addressed outside of the State Budget and via the legislative process. SB 663 and AB 1450, for which Senator Lara is the principal co-author, have been amended to include these provisions.

This office, Auditor-Controller, and County Counsel support AB 1450. Therefore, unless otherwise directed by the Board, consistent with: 1) existing Board-approved policy to support legislation that enhances the administration of property taxes by using more efficient methods of administration and that clarifies, streamlines, and outlines clear property tax policy for local governments; and 2) the Board's action of May 20, 2014, directing the Sacramento advocates to support Administrative and/or legislative proposals to direct that the tax increment generated by pension taxes levied, in addition to the general property tax rate, be retained by the city that levied the pension tax, **the Sacramento advocates will support AB 1450**.

AB 1450 is currently on the Senate Floor.

**<u>Status of County-Sponsored Legislation</u>**

**County-sponsored SB 955 (Mitchell)**, which as introduce on February 6, 2014, would add human trafficking to the list of offenses for which interception of electronic communications (wiretaps) may be ordered, was placed on the Assembly Appropriations Suspense File on

July 2, 2014. The measure will be considered when the Assembly reconvenes from its Summer Recess.

**County-sponsored SB 1136 (Huff and Mitchell),** which as amended on June 25, 2014, would: 1) require the California Department of Social Services (CDSS) to provide, upon the request of a county child welfare agency, a list of each individual with a criminal records exemption related to a licensed or certified foster home so that counties may assess the appropriateness of placing a child in the foster home with which the individual is associated; and 2) authorize CDSS to share with county child welfare agencies summary information related to a criminal record clearance or exemption granted by the department; among other provisions, unanimously passed the Assembly Appropriations Committee on July 2, 2014. This measure now proceeds to the Assembly Floor.

## Status of Legislation of County Interest

**AB 2389 (Fox),** which as amended on July 2, 2014, would: 1) temporarily modify the State's current capital investment incentive programs, which local governments are authorized to establish; and 2) allow a tax credit to qualified taxpayers based on the amount of qualified wages paid to qualified full-time employees, among other provisions, passed the: Senate Appropriations Committee by a vote of 6 to 0; the Senate Floor by a vote of 28 to 6; and the Assembly Floor in concurrence of Senate amendments by a vote of 68 to 2 on July 3, 2014. This urgency measure now proceeds to the Governor which, if signed, would become effective immediately.

We will continue to keep you advised.

WTF:RA
MR:VE:IGEA:lm

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants